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Impacts of COVID-19 on Northeast Economic Activity

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On March 11, 2020, the World Health Organization officially declared a global pandemic for the SARS-CoV-2 virus, which causes COVID-19. In the months that followed, public health measures were implemented to protect populations from the disease and mitigate the spread of the respiratory virus. Consumers and businesses alike changed their behaviors in response to policy and perceptions of public health status and personal risk. This led to substantial impacts on economic activity. Using data on Gross Domestic Product (GDP) recently released from the U.S. Bureau of Economic Analysis (BEA), this brief summarizes the impact of COVID-19 on the economy of the Northeastern United States, comprised of 12 states and the District of Columbia. Impacts are identified by comparing annual totals for 2020 to those for 2019. This brief is the first in a series to summarize impacts on Northeastern communities. In subsequent briefs, the series will highlight impacts in key industries and sectors.

Total economic activity in the Northeast declined 4.5% in 2020 – a total loss of \$196.3 billion. The region had greater losses, as a percent of GDP, than the nation overall (Figure 1). At the state level, Connecticut experienced the greatest loss in percentage

terms, with a 6.2% decline in GDP across all industries, a loss totaling \$15.6 billion. While all states and districts in the region experienced losses, Maine saw the smallest decline in percentage terms, just 1.1% lower total economic activity in 2020 compared to 2019, totaling \$700 million. New York and Pennsylvania saw the largest total losses in the region, at \$74.5 billion and \$32.2 billion, respectively. As a percentage of their state economies, these were declines of 5.0% for New York and 4.5% for Pennsylvania, the second and third highest proportions after Connecticut.

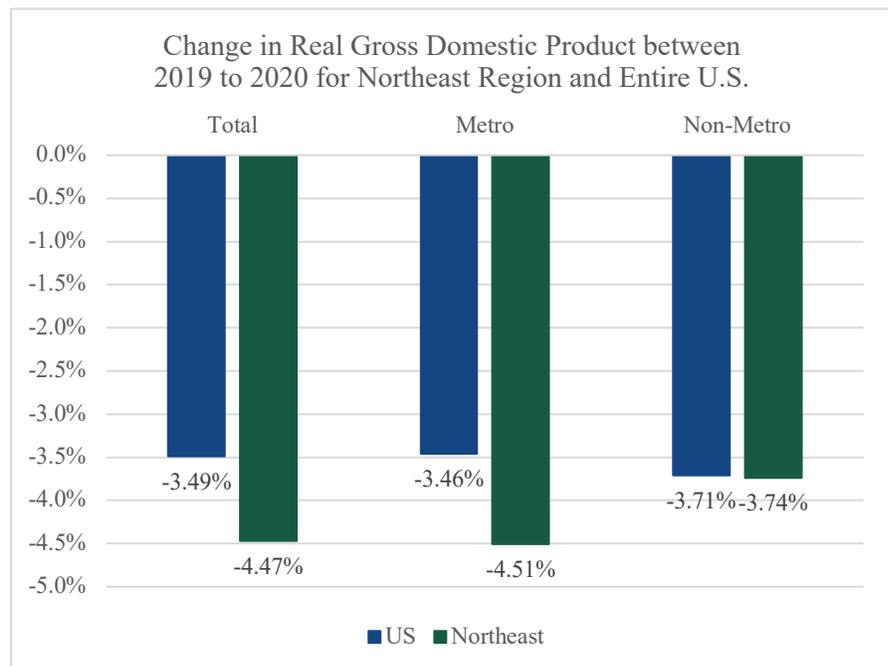


Figure 1 Changes in GDP from 2019 to 2020: Northeast region compared to U.S.

Industries/Sectors

Evidence from the recent BEA data indicates that not all sectors in the Northeast were impacted by the pandemic in the same way. Regionally, GDP from agriculture, forestry, fishing, and hunting activity increased 11.4%; mining, quarrying, and oil and gas extraction increased 4.3%; information services saw an increase of 3.5%; and utilities increased 0.7%. In many states, these industries did even better than the regional average; for example, in Maine the extractive resource economy (mining, quarrying, and oil and gas) increased 43.7%, a total of \$21 million more in 2020 over the previous year's \$46.9 million.

Across the region as a whole, the industry that fared the worst during the pandemic was tourism¹ with a 36.7% decline – totaling \$62.7 billion – and losses at the state level ranging from 24.3% in West Virginia to 44.6% in the District of Columbia. Transportation and warehousing were also greatly impacted with a 16.6% decline regionally, as were educational services, health care, and social assistance sectors (7.0% decline), retail trade (6.5% decline), and construction (6.3% decline). It should be noted, however, that there are divergences among the states compared to trends at the regional level. In Vermont, for example, the transportation and warehousing sector saw a 61.2% increase (the only state in the region where that sector grew during the pandemic) but the information sector experienced a 57.9% decline. One cause of these proportional differences among states can be their baseline values; states with relatively small economies in a given sector can show large proportional changes from relatively small total increases or decreases in activity.

Metro versus rural

Northeast rural communities (i.e. non-metro counties) fared better than the region's metro areas. While GDP losses across all sectors for Northeast metro counties were at 4.5% compared to 2019, rural counties in the region lost 3.7% of GDP. This trend holds across industries, with the exception of wholesale trade – the one industry where the region's rural counties lost more in percentage terms than their metro counterparts. Conversely, there were a number of sectors where rural economies thrived during the pandemic, compared to metro counties; in the Northeast these included agriculture and natural resources (18.9% increase), mining and extractive energy (11.4% increase), utilities (8.6% increase), manufacturing (2.8% increase), and financial services (1.4% increase). For these sectors, the region's metro counties experienced losses, except for agriculture and natural resources where the metro increase was only 7.7%. However, gains in these sectors were not enough to make up for rural losses in other sectors. In total, the region's rural economy lost \$8.2 billion. Nearly two-thirds of these losses (63.4%) were in New York and Pennsylvania rural counties. Notably, losses to the Northeast's rural economy were on par with those experienced by all rural counties in the U.S. combined.

Figure 2 presents the overall change in county-level GDP for the Northeast region. While many counties across the Northeast show the general trend of declines in economic activity during the first year of the pandemic (yellow, orange, and red), some experienced increases. The highest growth counties include Wetzell, Doddridge, Tyler, Ritchie, and Grant in West Virginia, Cameron and McKean in Pennsylvania, and Salem in New Jersey. Additionally, 16 more counties – spread across West Virginia, Maryland, Pennsylvania, New York, Vermont, New Hampshire, and Maine – had minimal growth or maintained the status quo during the pandemic. Most of these 23 counties are non-metro.

¹ Arts, entertainment, recreation, accommodation, and food services

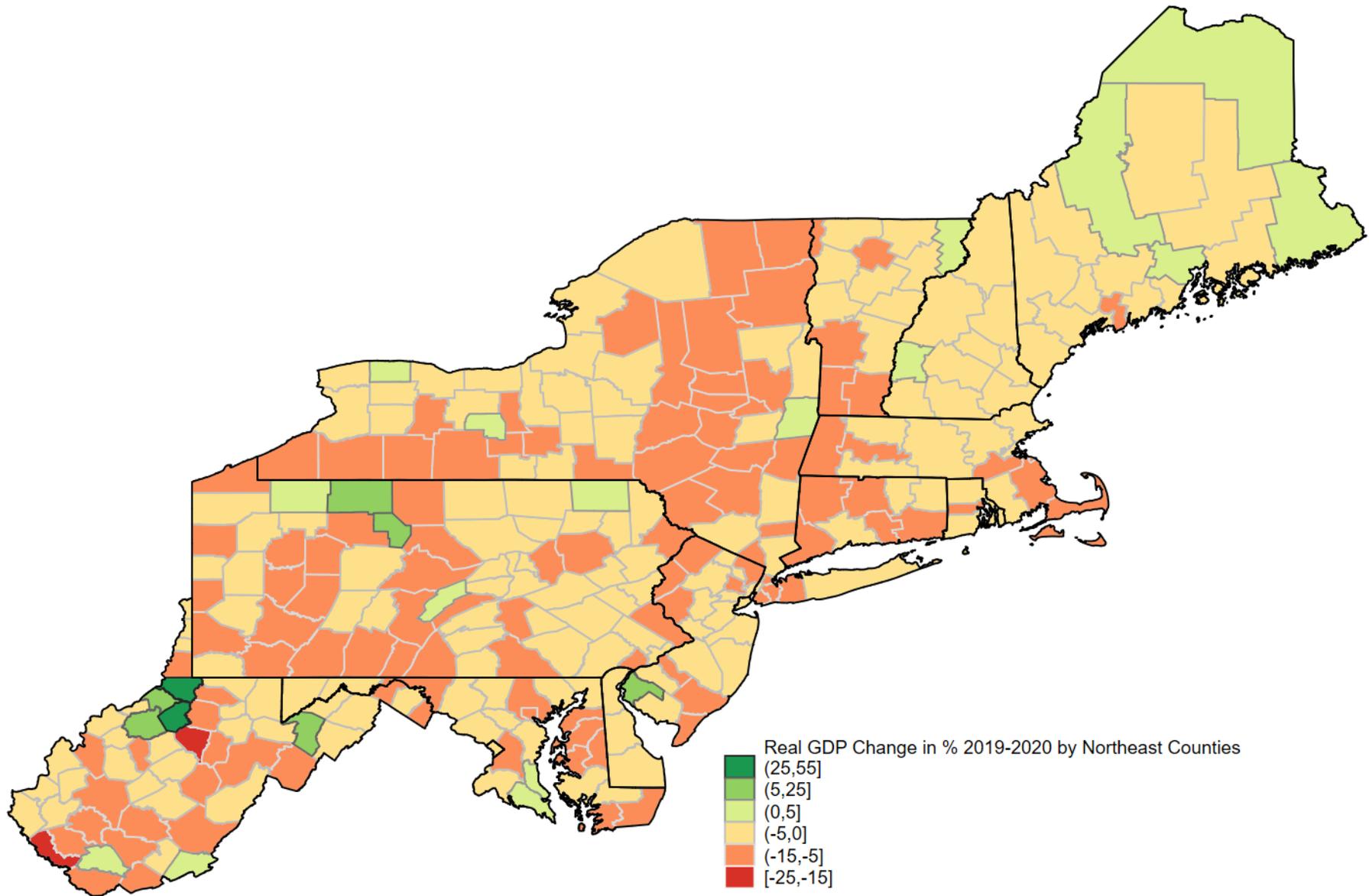


Figure 2 County-level changes in GDP from 2019 to 2020 for all industries in the Northeast

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Table 1 Real GDP in the Northeast by Sectors (Billions US\$)

	2019			2020			2019-2020 % Change		
	Total	Metro	Non-Metro	Total	Metro	Non-Metro	Total	Metro	Non-Metro
All industry total	4392.46	4173.22	219.24	4196.16	3985.11	211.05	-4.47	-4.51	-3.74
Private industries	3891.14	3701.29	189.85	3704.55	3521.98	182.57	-4.80	-4.84	-3.83
Agriculture, forestry, fishing and hunting	11.08	7.43	3.65	12.34	8.00	4.34	11.37	7.69	18.86
Mining, quarrying, and oil and gas extraction	31.10	13.89	17.21	32.42	13.25	19.17	4.26	-4.56	11.38
Utilities	60.00	54.95	5.05	60.44	54.96	5.48	0.73	0.01	8.56
Construction	132.53	125.48	7.05	124.16	117.26	6.90	-6.31	-6.55	-2.19
Manufacturing	340.10	313.74	26.36	332.92	305.83	27.10	-2.11	-2.52	2.79
Wholesale trade	215.97	209.38	6.60	208.47	202.12	6.35	-3.48	-3.47	-3.79
Retail trade	229.59	214.13	15.45	214.77	199.65	15.11	-6.46	-6.76	-2.21
Transportation and warehousing	97.09	91.62	5.47	81.01	76.07	4.94	-16.56	-16.97	-9.71
Information	335.63	330.98	4.65	347.43	342.90	4.53	3.52	3.60	-2.66
Finance, insurance, real estate, rental, and leasing	1010.53	973.18	37.35	1007.64	969.78	37.86	-0.29	-0.35	1.36
Professional and business services	676.22	659.27	16.96	641.57	625.35	16.22	-5.12	-5.14	-4.34
Educational services, health care, and social assistance	462.11	439.99	22.12	429.66	408.69	20.97	-7.02	-7.11	-5.21
Arts, entertainment, recreation, accommodation, and food services	171.02	162.07	8.95	108.33	102.00	6.34	-36.65	-37.07	-29.20

Note: Prices are fixed using 2012 USD

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About this Series:

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Appendix Tables: Detailed data for the U.S. Northeast

An Excel file containing data on Northeast regional- and state-level GDP by sector is available at: <https://bit.ly/3b7qSN5>.